Stakeholder

From the Top...

Since inception, management's plan has been to effectively penetrate and secure a foothold in the domestic restaurant and bar marketplace. Toward this end, SplashPlay has explored numerous pathways with varying degrees of success.

One fateful morning in late November, a connection was made on LinkedIn between SplashPlay and Young's Market and forty-one days later a strategic relationship between SplashPlay and Young's Market was finalized.

Why is Young's Market Important to SplashPlay?

The domestic beverage and spirits industry is unique in that distributors are the middlemen between the beverage manufacturer and drinking establishments. More interesting is the fact that distributors are in direct competition with one another to secure a foothold in as many establishments as possible.

Typically, distributors compete for as much brand exclusivity as possible. For example, a distributor may have an exclusive agreement with Bacardi rum in a geographic area ensuring presence in most, if not all drinking establishments in the distributor's territory. Distributors, however, understand that they cannot rely solely on exclusivity as their cornerstone for success. As such, they actively seek unique and creative value propositions to gain an advantage over the competition — Enter SplashPlay.

SplashPlay's value add to a beverage and spirits distributor includes free glassware paired with on-premises mobile patron engagement including social gaming, loyalty/rewards program and real-time offers and promotions.

SplashPlay's success in gaining a foothold in the beverage and spirits distribution industry is a pivotal milestone opening tens of thousands of Young's Market's bars and restaurants to SplashPlay and creating awareness of SplashPlay to beverage distributors nationwide.

As we make our way through 2014, Management believes the Young's Market relationship foreshadows SplashPlay's future.

Sincerely,
Thomas Banks   **Steve Dafnis**
Quiz Master   Quiz Master

In this issue

Who is Young's Market?

Young's Market Company was founded in 1888. At 125 years old, Young's Market Company is one of the oldest continuously operating companies in the USA.

In the 68 years since Young's Market Company decided to engage exclusively in the sale and distribution of wine and spirits, it has grown from a relatively small local distributor servicing Southern California to the fourth largest wine and spirits distributor in the United States. Young's currently has operations in California, Hawaii, Oregon, Washington, Alaska, Idaho, Utah, Montana and Wyoming.

Initially, Young's Market was engaged in the retail grocery trade and was one of the nation's first chain markets, owning and operating 60 neighborhood stores in Southern California at its peak in 1937. In 1940, Young's discontinued its retail operations and engaged exclusively in the wholesale distribution of wine, spirits, meat, seafood and gourmet items. In 1963, Vernon O. Underwood Sr. was named President of Young's and in 1964, the company acquired two established wholesale distributors in Hawaii and commenced doing business there as "Better Brands".

Today, Young's Market services over 100,000 bars in restaurants in the ten western states with $2.8 Billion in annual revenue establishing Young's Market as ranked by Forbes the 175th largest privately held company in America.

Advertising...Not Created Equal

Today, businesses have more advertising options than ever before. If money is not an option, a 30 second Super Bowl ad can be purchased for over $3 million or a simple Google advertising package for as little as $10. Regardless of how much is spent, nothing compares to the value proposition of a SplashPlay advertisement.

What do advertisers get with SplashPlay?
First, the advertiser's logo can be placed on our drink ware for continuous consumer viewing for upwards of 60 minutes per sitting. No other advertising channel delivers the duration or Dwell-Time of a SplashPlay advertisement.

While an advertiser only pays to be on the drink ware, they receive a number of additional benefits at no additional cost including personalized games and real-time offerings.

Flexibility and Control
Second, SplashPlay's engagement vehicle is its mobile gaming platform that entertains consumers directly on their smart devices.

While SplashPlay's advertising platform begins with drink ware, its dual purpose is to integrate advertiser messages within the mobile game play environment. Advertisers' ads are then delivered to consumers while playing SplashPlay and can be targeted by geographic location and game topics. For example; *an advertisement can be delivered to a specific zip code range and only presented to individuals playing baseball trivia.*

Since SplashPlay's gaming platform is experienced in real-time, advertisers may modify their offers and promotions any time — 24 x 7 — and have them delivered immediately. Additionally, SplashPlay provides advertisers the ability run multiple offers and promotions on different days of the week – up to 7 ads in total.

Real-Time Tracking
Every advertiser wants to know how their ads are performing. SplashPlay's advertising management platform provides advertisers the ability to track a variety of metrics (by date range and/or establishments) monitoring in real-time how often an offering is **Viewed,**

Clicked, Saved or Redeemed.

Advertiser Games
If drink ware presence and integrated game promotions are not enough, SplashPlay empowers advertisers to create their own personalized trivia games.

Advertiser trivia games can educate consumers about products, upcoming events, fortify their brand, expand their social community, use SplashPlay as a survey tool to understand what consumers know about their products or services and much more.

Similar to SplashPlay's real-time metrics, games can be created and uploaded without any delay. Simply create a trivia game (one question at a time or use SplashPlay's multiple question upload feature). Once uploaded to SplashPlay, games are immediately live and available for play.

As the ad budget mix continues to change in favor of mobile advertising, SplashPlay is uniquely positioned to take advantage of this monumental shift.

Advertising in a Changing World

It's no secret that smartphones are everywhere. It seems like every other TV commercial is promoting a new mobile phone. What you may not know is that smartphone sales have now overtaken PC sales.

According to Gartner, Worldwide shipments of traditional PCs (desk-based and notebook) are forecast to total 1.78 Billion units in 2014, while mobile phone shipments are projected to grow to more than 1.82 billion units.

SMART PHONES 1.82 BILLION

PC DESKTOPS 1.78 BILLION

SMART PHONES VS PC DESKTOPS
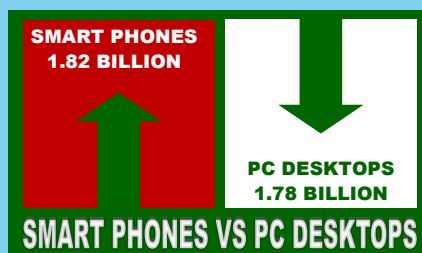
With the industry trend of delivering engagement and entertainment to consumers' smartphones, this is great news for SplashPlay. But the news gets even better. In 2013, it was reported that consumers spent more time on their smartphones than on watching TV.

According to new estimates from eMarketer, the average adult will spend 5 hours and 9 minutes a day online consuming digital media this year. The amount of time spent watching TV is projected to fall to 4 hours and 31 minutes.

How does this benefit SplashPlay?
Interestingly, SplashPlay is not the only one to notice these trends. Major advertiser's have seen the growth and are making adjustments to mobile ad budgets.

Currently, traditional media channels — such as print and television — receive an inordinate share an advertiser's budget. However, this is beginning to change.

In a 2011 survey, the Interactive Advertising Bureau ("IAB") noted that only 7% of respondents reported that mobile ad budgets would exceed $300,000. This year, in the same survey, 32% of respondents indicated that their mobile ad budgets would be that high. That's a 400% increase.

SplashPlay is in a unique position to take advantage of these dramatic changes.

SplashPlay Game

Rewards

As learned in Marketing 101, the goal of every customer loyalty program is to make it as easy as possible for a customer to do repeat business. Toward this end, integral to SplashPlay's gaming strategy is the ability for game players to accumulate valuable rewards points.

Everyone wants to win something. Whether it is cash, prizes or prestige, online game playing and rewards go hand-in-hand. It is an individual's unfettered desire to accumulate rewards that fuels SplashPlay's rewards feature.

Earning Rewards

At its core, SplashPlay is a simple trivia game where every question a player answers earns him or her up to fifteen points (see *Game Page* at right). The moment a SplashPlay question is presented to the player the Rewards point value is prominently displayed. For every second that passes, the question's Reward Value decreases by one point. As such, the faster a player answers a question correctly, the greater the number of Rewards points he earns (see *Rewards Results Page* at right). Since SplashPlay wants everyone to be a winner, even a wrong answer earns one point.

Two Types of Rewards Points

Player Rewards Points accumulates in two ways:

- **SplashPlay General Points**
- **Loyalty Points**

SplashPlay General Points: SplashPlay General Points accumulate indefinitely in the player's SplashPlay account (see *Loyalty Summary Page* at right). In turn, SplashPlay uses these points for drawings and contests. Simply, each General Point represents an entry in any SplashPlay sweepstakes for prizes from smartphones to cars. As such, if a player accumulates 1,000 Rewards points, he has 1,000 chances to win the SplashPlay Sweepstakes in effect at the time. The more points a player earns, the more chances to win.

Loyalty Points: As a feature of SplashPlay, restaurants and game sponsors (such as products or services) can setup a custom loyalty program within SplashPlay. In turn, for each General Point the player earns, he also earns an equal number of Loyalty Points for the restaurant or sponsoring entity (see *Loyalty Redemption Page* at right). Based on the reward levels set by the restaurant or sponsor, the player may redeem these entity-specific Loyalty Points for whatever rewards the sponsoring entity specifies. For example, a restaurant may set up a loyalty program where points can be redeemed for appetizers, entrées, beverages, desserts, etc. (see *Loyalty Redemption Page* at right).

SplashPlay's mission is two-fold: 1) Encourage game players to play SplashPlay for as long as possible, and 2) Maximizing delivery of advertisers', restaurants' and sponsors' messages to SplashPlay game players. SplashPlay's unique Rewards strategy was designed to achieve these two objectives.

Next Topic: **Real-Time Digital Deals**

SplashPlay Loyalty Rewards

Game Page (with Points)

Rewards Results (points earned)

Loyalty Summary Page

Loyalty Redemption Page
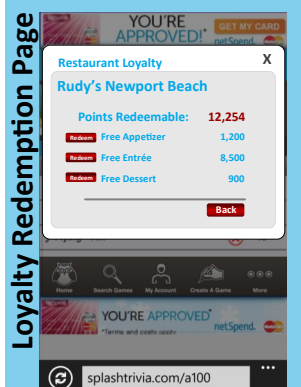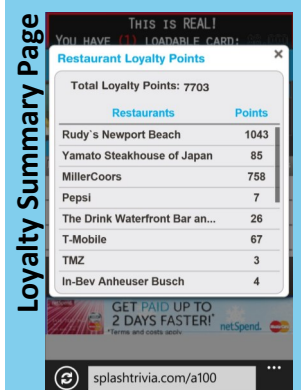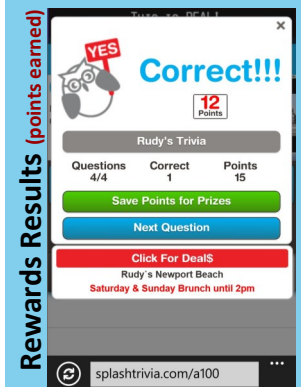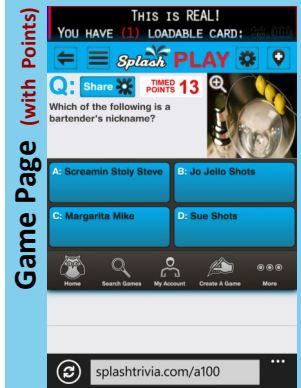
A Market Perspective

Based on SplashPlay's progress to date, management is truly hopeful and optimistic for 2014. Certainly there are a number of success scenarios where SplashPlay results in an amazing outcome for its stakeholders. If all goes well, there is a very realistic possibility that SplashPlay will be in 25,000 restaurants by Summer. With this in mind, let us illustrate a few compelling industry scenarios.

NATIONAL BRAND SCENARIO: If SplashPlay is successfully incorporated in 25,000 restaurants and bars, SplashPlay's gaming platform will be in front of 200+ Million restaurant and bar patrons monthly for a very long time each – averaging 45 to 60 minutes per exposure. Over a six month period, this restaurant population would expose SplashPlay to 1.5 Billion patron-visits. Assuming only 10% of these patrons represent "unique" visitors (150 million) to our bars and restaurants, **SplashPlay would be exposed to 75% of the entire adult US Population**. The bottom line is simple, If SplashPlay is exposed 1.5 Billion times to US citizens for 1.5 Billion Hours by the end of 2014, it is inconceivable that SplashPlay would not be established as a recognizable national brand. This possibility alone would have dramatic effect on SplashPlay's enterprise valuation.

OPEN TABLE COMPARISON: As you may know, Open Table (NASDAQ:OPEN) is the national standard for online restaurant reservations. Simply, restaurants pay a fee (approximately $1,500) for the Open Table service and between $2 and $4 for each reservation. The bottom line is Open Table's net profit is approximately $20 million and currently supports a 62 P/E Ratio and market cap of $1.87 Billion — with only 27,000 restaurant locations. Open Table is a web service and does not support social interaction between restaurant patrons. In contrast, SplashPlay's social gaming strategy paired with unprecedented brand exposure and a comparable restaurant base could result in a valuation on par with Open Table.

SNAPCHAT COMPARISON: By now everyone has heard about SnapChat turning down Facebook's $3 Billion cash offer. In doing so, SnapChat may very well go down in American History as the single worst business decision ever made. Very likely,

there will be Harvard, Stanford and Wharton business school papers written about SnapChat in decades to come.

If you don't already know, SnapChat is 24 months old with zero revenue! However, they have 23 Million subscribers. *Who are SnapChat's subscribers?* Teen agers desiring to send images that disappear in 15 seconds to their friends. *Why would anyone want pictures to disappear?* The answer is simple – the pictures are most likely incriminating. Regardless, Facebook offered ShapChat an amazing $130 per subscriber! SplashPlay's management contends its participants are far more valuable than SnapChat's. In comparison, SnapChat subscribers are teenagers without purchasing power (e.g. no credit cards in their pockets). SplashPlay's participants, however, are 21+ years old, actively engaged in commerce (buying food and liquor) and most likely have purchasing power (credit cards in their wallets). As such, Management believes "1" SplashPlay participant is many times more valuable than a single SnapChat subscriber. Assuming SplashPlay achieves its 25,000 restaurant goal by "year-end" and only 2% of the 200+ Million monthly patrons participate, SplashPlay will have upwards of 24 Million active monthly participants. Even at a $50 per participant valuation (representing only 38% of SnapChat's valuation), SplashPlay could be worth upwards of $1.2 Billion (24 Million x $50).

QUIZUP: Last month a new app appeared in Apple's App Store – QuizUP; which is a simple trivia game…not too dissimilar to SplashPlay. The difference is that QuizUp is a standalone app and doesn't integrate with advertisers and sponsors like SplashPlay. Within thirty-days of it introduction, QuizUp was downloaded 5 Million times. Albeit 5 Million seems like a lot of downloads, however, when you realize that 440+ Million iPhones, iPads and iPods are in use worldwide, QuizUp's downloads represent only 1% of all Apple Users. More interestingly is the fact that Sequoia Capital in Menlo Park, California and others provided QuizUp $22 Million in investment capital 6 to 12 months ago. Obviously someone believes there is value in people playing mobile trivia games.

THE MOBILE LANDSCAPE
21 statistics driving the future of mobile marketing 2014

WHAT'S CHANGING IN MOBILE

1.4 billion The number of smartphones in use in 2013.

That's **1 in 7** people worldwide.

57% The percentage of users who **won't** recommend companies with poor mobile sites.

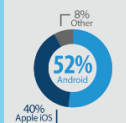The average American spends almost **2 hours** per day on a mobile device. That adds up to **57,293 hours** over a lifetime.

1 in 4 Online searches are conducted on **mobile devices**.

By 2015, mobile marketing in the U.S. will generate **$400 billion** compared to $139 billion in 2012.
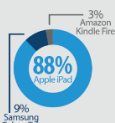
MOBILE MARKET SHARE

MOST POPULAR **OS**
- 8% Other
- **52%** Android
- 40% Apple iOS

MOST POPULAR **SMARTPHONE**
- 34% Other
- **41%** Apple
- 25% Samsung

MOST POPULAR **TABLET**
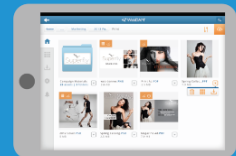- 3% Amazon Kindle Fire
- **88%** Apple iPad
- 9% Samsung Galaxy Tab
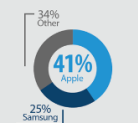
WHO'S ON MOBILE

Marketing and Creative Teams use mobile devices to access files more than ever before.

ARE WE ADDICTED TO SOCIAL MEDIA ON MOBILE DEVICES?

2/3 smartphone & tablet users access **social networks** from these devices.

2.5x Mobile **LinkedIn** users are more than twice as active as desktop only users.

THE GROWTH OF MOBILE ADVERTISING

15.8% Facebook controlled almost 16% of the global **mobile ad** market in 2013.

60% More than 60% of **Twitter's** ad revenue will come from **mobile advertising** by 2015.

U.S. Social Media Ad revenues are expected to reach **$11 billion** by 2017.

TYPES OF MOBILE MARKETING

APP-BASED 45% of US mobile marketing campaigns employ app downloads.

MOBILE SEARCH ADS 59% of people find mobile search ads useful.

MOBILE IMAGE ADS Consumers look at native ads 25% more often than banner ads.

SMS SMS coupons are redeemed 8 times more than emailed offers.

QR CODES 40% of people purchase an item after scanning QR codes.

LOCAL Local ads will account for 58% of national mobile ad spending by 2016.

Mobile ad revenue will more than **double** to **$24.5 billion** by 2016.

2012 2016

Cost of Acquisition

Digital measurement firm Super-Data predicts the total **mobile** game market in the US will exceed $3 billion in 2014 and grow to $7.5 billion in 2015. More interestingly, in 2013 player acquisition cost rose 22 percent over 2012 and is expected to get worse in 2014 reaching $7 to $8 Cost per Installation (CPI).

CPI is one of the most important measures of a business model's potential profitability. In fact, the ever increasing CPI makes it extremely unlikely, if not impossible for the average gaming enterprise to turn a profit. For example, based on industry statistics, the average revenue expected from a long-term game player (either in advertising supported games or in-game purchases) is $1.79 per month. Assuming a new user CPI is only $4, a player would have to be engaged for at least two months before the game company began to make a profit.

Player Retention
Unfortunately, two months in the mobile gaming world is a lifetime. In fact, according to Flurry Analytics (see accompanying chart), the average mobile game will lose two thirds of its players within the first thirty days and 96% within one year. Such deplorable user retention facts make it unlikely, if not impossible for a game company to generate a profit.

The SplashPlay Secret — Low CPI
SplashPlay innovates on many levels including game player engagement, player reinforcement, player retention and more importantly,

iOS & Android App User Retention, Months Since Acquisition (%)

Installed Glassware	2,000,000
Total Glassware Cost	$1,800,000
Sponsorship Revenue ($0.50/Glass)	**$1,000,000**
Net Cost of Glassware	**$800,000**
Restaurant Base (192 glasses/Restaurant)	10,417
Patrons/Restaurant per Month	10,000
Total Patrons per Month	**104,170,000**
Total Patron Exposures (6 Months)	625,020,000
Projected Patron Engagement	2%
Projected Game Players	**12,500,400**
SplashPlay CPI	**$0.06**

the industry's lowest CPI — $0.06 per new user or less. *How can Splash-Play's CPI be 1/67th of the industry standard?* To understand SplashPlay's CPI innovation, let us consider a simple example.

First: For the purpose of this illustration, we assume 2 million glasses (at 192 glasses per restaurant) will meet the needs of 10,417 restaurants over six months.

Second: Assuming the average SplashPlay restaurant servers 10,000 patrons monthly, SplashPlay's game initiation graphic will be presented to more than 625 million patrons for more that 45 minutes each over 6 months.

Third: On average, a SplashPlay restaurant glass costs approximately $0.90 each, resulting in $1.8 million in production costs.

Fourth: SplashPlay's ultimate objective is to have its glassware costs fully subsidized by glassware sponsors. However, for the sake of this analysis, we assume the glassware sponsor is only charged fifty cents per glass — providing a compelling incentive to become a SplashPlay glass sponsor.

Fifth: Certainly every restaurant patron cannot be expected to play a SplashPlay game. However, based on SplashPlay's test engagement statistics, it is reasonable to expect between 8% and 15% of the restaurant patrons will become engaged. However, for the purpose of this example, a conservative 2% Patron Engagement rate is assumed resulting in 12.5 million Projected Game Players over six months.

Sixth: In order to determine SplashPlay's CPI rate, we simply divide SplashPlay's $800 thousand Net Cost of Glassware (Total Glassware Cost less Sponsorship Revenue) by Projected Engaged Players. The resulting calculating yields a SplashPlay CPI of $0.06 per player.

A Matter of Revenue
On average, an engaged SplashPlay player will play SplashPlay 32 times. In turn, SplashPlay will earn approximately $0.012 per game event in sponsored banner advertising yielding $0.38 in initial in-game revenue. Based on Splash-Play's $0.06 CPI, SplashPlay earns $0.32 in

gross profit per initial game play. If we extrapolate a single game's profitability to the 12.5 million projected Game Players, SplashPlay should yield $4 million in gross profit every six months or $8 million annually.

More interestingly, if SplashPlay can successfully coax more Game Players to approximate 8% level, SplashPlay's annual gross profit should be upwards of $32 million.

It is important to understand that this is a simple analysis and does not take into consideration on-going game play by engaged players or potential players resulting from restaurant game players sharing SplashPlay throughout their online social community. Currently, SplashPlay has observed 30% of SplashPlay game players post SplashPlay game links on social media websites such as Facebook, Google+, Twitter, and others substantially increasing SplashPlay's reach and the total number of potential game players outside the restaurant environment.

Reality Steve
As mentioned in the last Stakeholder newsletter, SplashPlay conducted a test with the reality television show blog site Reality Steve (www.realitysteve.com). The first day results from that test were truly striking with over 10,000 game players, from 57 different countries worldwide averaging 8.5 minutes of game play time answering on average 32 questions.

More interestingly, an additional three thousand game players came from SplashPlay links posted by Reality Steve game players to social media sites bringing total game players to more than 13 thousand in one day.

To support SplashPlay's partners, visit www.realitysteve.com, click the SplashPlay button and play "The Bachelor" trivia game.

AUDIENCE REACH ›
LARGE AUDIENCES THROUGH RESTAURANTS, BARS, ONLINE, MOBILE DEVICES & MORE

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Frequently Asked Questions

Is SplashPlay limited to bars and restaurants?

Although restaurants and bars have been SplashPlay's primary focus since inception, SplashPlay's mobile gaming technology can be employed in any form outside of restaurant glassware. To date, SplashPlay has been successfully demonstrated outside of restaurants with social media websites such as www.realitysteve.com. Additionally, SplashPlay can be incorporated into product packaging such as food products, beverage or greeting cards to name a few. SplashPlay's application is only limited by one's creativity.

Can anyone create SplashPlay games?

Yes. Anyone can create a SplashPlay game. To do so, simply visit the www.splashtrivia.com click "Create a Game."

What happens if a created game is offensive?

SplashPlay's technology monitors every game created. If our system detects the use of offensive words or phrases, the game is flagged for review and may be removed at SplashPlay's discretion. Additionally, every game question is accompanied by an "Offensive" button allowing players to identify any game or question they consider offensive. If a game or question receives a sufficient number of offensive reports, the game is automatically taken down and reviewed by SplashPlay.

If I have an Android phone, can I play SplashPlay?

Yes. SplashPlay was designed as an HTML5 gaming platform. As such, SplashPlay is completely "platform" independent and will run equally well on desktop computers, Android, IOS, Windows phones and tablets.

I don't have a QR Code Reader. How can I play SplashPlay?

Even though QR Codes are prominently displayed as part of SplashPlay's gaming graphics. Games can also be initiated by texting a SplashPlay assigned keyword to SplashPlay's Short Code: **76274**. To test this feature, simply initiate a text to **76274** and send keyword **DIXIE**.

If you want a QR Code reader for your smart device, they are readily available free of charge in the Apple, Android and Window app stores.

Breaking News

February 5, 2014, Mission Viejo: SplashPlay secures contract with WinCup, the second largest foam drink ware manufacturer in America.   Under the terms of the agreement, WinCup will imprint the SplashPlay brand and gaming graphics (including QR Code and Text Message Keyword) on 50 Million foam cups provided to numerous venues including convenience stores, colleges and arenas throughout the U.S.